



Department of Justice

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FOR IMMEDIATE RELEASE
THURSDAY, MARCH 26, 2008
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LEADER OF MONEY LAUNDERING CONSPIRACY SENTENCED TO 10 YEARS FOR MORTGAGE FRAUD SCHEME

Tax Evasion and Bankruptcy Fraud Also Nets Prison Time

DAYTON – Randall Aaron Davidson, age 58, of Fairborn, was sentenced in United States District Court here to 10 years imprisonment for his role in a conspiracy that defrauded real estate investors and banks of more than \$20 million over a seven year period. Davidson led a scheme that involved manipulating documents associated with real estate sales and closings in order to obtain excess mortgage loan proceeds generated from the property sales.

Gregory G. Lockhart, United States Attorney for the Southern District of Ohio; Jose A. Gonzalez, Special Agent in Charge, Internal Revenue Service Criminal Investigation; Keith L. Bennett, Special Agent in Charge, Federal Bureau of Investigation, Cincinnati Field Division; Gerald O'Farrell, Assistant Postal Inspector; Terry Neeley, Director, Ohio Organized Crime Investigations Commission; and the Dayton Mortgage Fraud Task Force, announced the sentence handed down today by United States District Judge Walter H. Rice.

Mary J. Donaldson, Michael McWhirter, Jocelyn Hammond and others were charged along with Davidson in a 14-count indictment on September 14, 2005 with multiple felonies, including money laundering, conspiracy to commit money laundering, conspiracy to conduct fraudulent real estate transactions, bankruptcy fraud, mail fraud, wire fraud, and falsifying loan applications. Davidson pleaded guilty on February 9, 2007 to one count of bankruptcy fraud and one count of conspiracy to commit money laundering, along with one count of income tax evasion charged in a separate bill of information. Davidson instigated the mortgage fraud scheme in 1998, which continued until his arrest and indictment in 2005.

As leader of the conspiracy, Davidson owned and operated Capital Properties, Knab Mortgage, MJR Telecapital Investments, MTR Property Consultants, and Restoration, Inc. among others. Davidson recruited unsuspecting investors to purchase low income, dilapidated and depressed properties in the Dayton area at prices artificially inflated above legitimate fair-market values. The mortgages were financed with fraudulent loans facilitated, brokered and closed by Davidson and his conspirators. The conspirators provided the down payments on the properties, paid kick backs to the loan applicants, and opened bank accounts to disguise the true nature, location, source, ownership and control of the proceeds and profits from the transactions. Davidson also evaded payment of more than \$359 thousand in taxes on his \$1 million earnings in 2002. At the conclusion of his prison term, Davidson must serve five years on supervised release. He was also ordered to pay a money judgment of \$13.1 million.

Timothy Pearson was charged in a separate bill of information for his role in the conspiracy. Pearson pleaded guilty on March 12, 2007 to one count of conspiracy to commit money laundering and two counts of attempting to evade or defeat federal income tax. According to the statement of facts filed in court, Pearson participated in approximately 365 fraudulent real estate closings, helping his co-conspirators obtain in excess of \$13 million in the scheme. Pearson is scheduled for sentencing in April.

Serving as the closing agent for many of the fraudulent real estate transactions, Jocelyn Hammond was charged in a separate bill of information with conspiracy to commit mail fraud, wire fraud and money laundering. Hammond pleaded to the charges against her on January 29, 2008 and is scheduled for sentencing in May.

Employed by Davidson as a loan processor and mortgage broker, Mary Donaldson pleaded guilty on August 16, 2007 to one count of bankruptcy fraud and one count of making a false statement on a loan application. Donaldson admitted to forging a signature on a deed for an individual who later filed bankruptcy, and falsely reporting a borrower's bank account balances in order to influence the bank's decision on a mortgage loan application, according to the statement of facts filed in court. Donaldson was sentenced to one day in prison, three years of supervised release, 100 hours of community service and was ordered to pay \$32,500 in restitution to Bank One.

McWhirter pleaded guilty on February 16, 2007 to one count of misprision of a felony in connection with the mail fraud committed as part of the conspiracy. McWhirter operated a related real estate company named Capital Properties in Pittsburgh, Pennsylvania in collaboration with Davidson. Although McWhirter became aware that Davidson and his co-conspirators were preparing false and fraudulent settlement statements for unsuspecting real estate investors in Pittsburgh and being mailed to Dayton title companies, he concealed these crimes and failed to notify the authorities according to the statement of facts filed with his plea. McWhirter was sentenced to three years probation for his role in the conspiracy.

The victims in the conspiracy included more than 70 financial institutions located throughout the United States that were tricked into making loans in excess of the true market value of the homes, along with over 38 real estate investors who were left with overvalued, virtually uninhabitable rental property on which they owed more than the property was worth. The conspiracy involved the fraudulent closing and sale of over 350 residential properties, 300 of which were located in Montgomery County.

"Mortgage fraud is every bit as corrosive to American society as street crime," Lockhart said. "This type of conspiracy has far-reaching economic consequences and severely thwarts recovery from the foreclosure crisis in Ohio, leaving communities with inflated home values and financial institutions with uncollectible loans." Lockhart also commended the cooperative efforts of agents of the IRS, FBI, Ohio Organized Crime Investigations Commission and Dayton Mortgage Fraud Task Force for their investigation into this matter, and Assistant U.S. Attorney Dwight Keller who prosecuted the case.

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